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**Statement by United States Trade Representative Charlene Barshefsky
And
Treasury Deputy Secretary Stuart E. Eizenstat**

Today the European Union requested a special meeting of the World Trade Organization's Dispute Settlement Body to consider its request for authority to impose sanctions in the Foreign Sales Corporation (FSC) dispute. That action is consistent with the procedural agreement we reached with the EU at the end of September regarding the sequencing of procedures in the WTO for this dispute. Thus, while the EU has requested authority to impose sanctions, no sanctions, if any, will be imposed until the WTO has had an opportunity to rule on the WTO-consistency of the FSC replacement legislation (H.R. 4986), which the President signed into law on November 15. At the same time, we will contest the level of damages alleged by the EU. We do not believe European companies have been disadvantaged.

Either side may appeal the panel's findings on WTO-consistency to the WTO Appellate Body. If the FSC replacement legislation is found to be WTO-consistent, that will be the end of the matter. If the legislation is found to be WTO-inconsistent, the appropriateness of the EU's proposed level of retaliation will be addressed by an arbitration panel. Under WTO dispute settlement procedures, these proceedings will take a minimum of 7 months.

We regret that the EU has not accepted our new legislation. We continue to strongly believe that it is WTO-compliant, as it neither constitutes a subsidy nor is it export-contingent.

The EU's view is particularly disappointing given that the legislation represents an extraordinary bipartisan effort whereby the Administration worked with both houses of Congress to draft legislation, under an extraordinarily tight schedule, that complies with the ruling of the WTO Appellate Body. We ask the EU to again consider our new legislation to avoid a confrontation.

We would stress the importance of continuing to work together with the EU to manage this dispute responsibly and avoid any escalation of tensions that could harm our strong bilateral relationship. We remain open to further discussions with the EU about resolving this dispute.